

***COLORADO LOTTERY
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***

**INCLUDING STATEMENT OF LOTTERY REVENUES,
PRIZE DISBURSEMENTS AND OTHER EXPENSES**

(UNAUDITED)

FOR THE ONE (1) MONTH ENDED

JULY 31, 2016

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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STATE OF COLORADO

COLORADO LOTTERY DIVISION
Department of Revenue

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John Hickenlooper
Governor

Barbara Brohl
Executive Director

Laura Solano
Lottery Director

October 12, 2016

Members of the Lottery Commission and
Ms. Laura Solano, Lottery Director

Pursuant to CRS 24-35-204, the Colorado Lottery is required to furnish monthly, "a complete statement of lottery revenues, prize disbursements and other expenses" (the financial statements).

The attached financial statements have not been audited.

The financial statements presented for the one month ended July 31, 2016 have been prepared in accordance with generally accepted accounting principles, using established accounting and internal control procedures. These procedures support the production of reliable financial statements. As with any system of accounting and internal control procedures, there are inherent limitations, and the procedures cannot be relied upon to completely eliminate the occurrence of discrepancies, errors or omissions, but should reduce the risk to a relatively low tolerable level.

Respectfully submitted,

A handwritten signature in cursive script that reads "John Caligaris".

John Caligaris
Controller, Colorado Lottery
Colorado Department of Revenue

**COLORADO LOTTERY
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**INCLUDING STATEMENT OF LOTTERY REVENUES
PRIZE DISBURSEMENTS AND OTHER EXPENSES
(UNAUDITED)**

TABLE OF CONTENTS

Financial Highlights	1
Supplement to Financial Highlights	2
Statements of Net Position.....	3
Statements of Revenues, Expenses, and Changes in Fund Net Position	4
Statements of Fiduciary Net Position-Powerball Annuity Winners Trust Fund.....	5
Statements of Changes in Fiduciary Net Position-Powerball Annuity Winners Trust Fund	6
Schedule of Revenue and Costs for Completed and In-Progress Games	7
Schedule of Percent of Prize Expense to Gross Ticket Sales	7
Budget Status	8

**COLORADO LOTTERY
FINANCIAL HIGHLIGHTS
\$ IN MILLIONS
FOR THE ONE (1) MONTH ENDED JULY 31, 2016 AND 2015**

The table included below and the graphs included on page 2 present certain summarized operating results of the Colorado Lottery for the one month ended July 31, 2016 and 2015 and should be read in conjunction with the financial statements presented herein. The graphs included on page 2 are presented for the purpose of demonstrating the Colorado Lottery's compliance with certain statutes that pertain to its operations.

	For the One Month Ended July 31,			
	FY 2017		FY 2016	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$51.93		\$43.39	
Nonoperating revenue	0.06		0.05	
TOTAL INCOME	51.99		43.44	
LESS:				
PRIZES	\$30.28	58.3% (1)	\$29.01	66.9% (1)
RETAILER COMMISSIONS AND BONUSES	\$3.88	7.5% (2)	\$3.22	7.4% (2)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	1.03		0.88	
Other Operating Expenses	1.76	(4)	2.12	
TOTAL ADMINISTRATIVE COSTS (Note 3)	2.79	5.4% (3)	3.00	6.9% (3)
	15.04		8.21	
NET CHANGE IN NET ASSETS	(0.01)		(0.05)	
PROCEEDS DISTRIBUTION	\$15.05	28.9% (3)	\$8.26	19.0% (3)

Note 1: Percent of gross ticket sales - per C.R.S. 24-35-210 (9) total disbursements for lottery prizes shall be no less than fifty percent of the total revenue accruing from the sale of lottery tickets or shares.

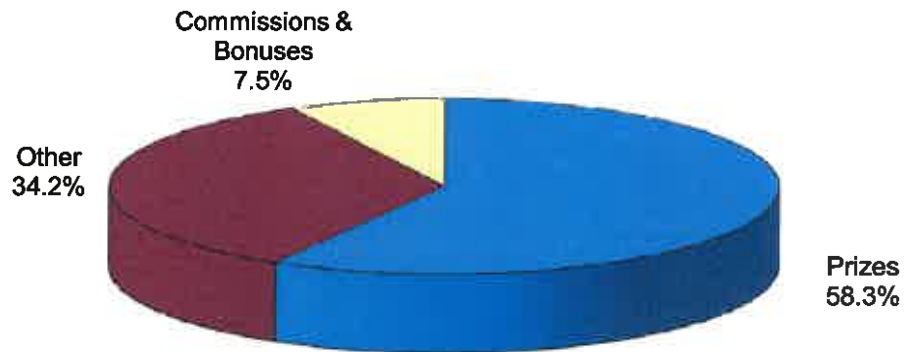
Note 2: Percent of gross ticket sales.

Note 3: Percent of total income.

Note 4: Total operating expenses per the statement of revenues, expenses and changes in fund net position includes unappropriated expenses such as depreciation and accrued annual and sick leave. The actual administrative costs percentage would be slightly lower if they were removed from the calculation.

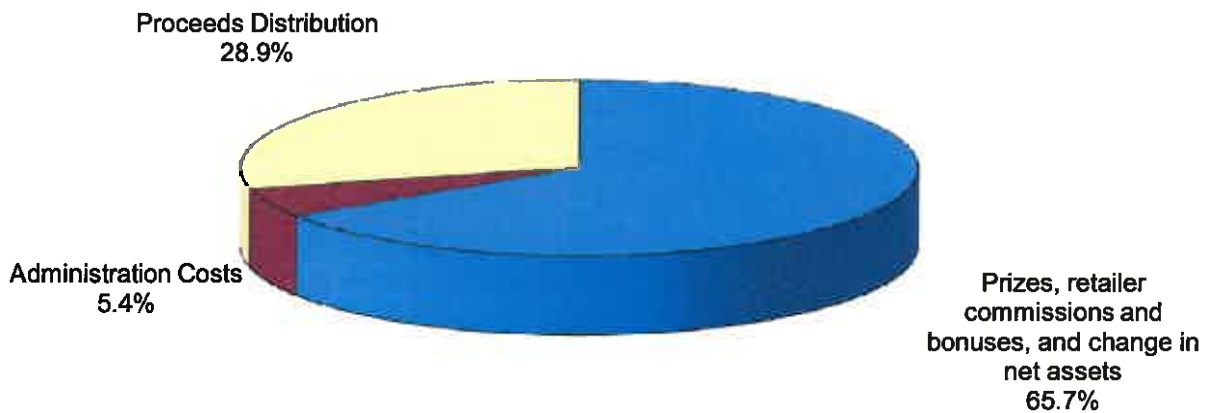
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE ONE MONTH ENDED JULY 31, 2016

PERCENT OF GROSS TICKET SALES



To depict compliance with the 50% prize payment statute and the commission/bonus rules.

PERCENT OF TOTAL INCOME



To depict status of administrative expenditures to date.

COLORADO LOTTERY
STATEMENTS OF NET POSITION
JULY 31, 2016 AND 2015
(UNAUDITED)

ASSETS	FY 2017	FY 2016
Current Assets:		
Cash and Investments	\$ 57,260,357	\$ 45,652,961
Accounts Receivable, net of the allowance for doubtful accounts of \$199,284 in 2016 and \$193,244 in 2015	24,753,427	18,593,013
Consignment Inventory, at Cost	96,886	102,062
Warehouse Inventory, at Cost	1,339,692	1,317,642
Prepaid Expenses	275,835	116,353
Total Current Assets	83,726,197	65,782,031
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,500,000	1,500,000
Cash and Investments-Licensed Agent Recovery		
Reserve Receipts	435,080	383,412
Prepaid Prize Expense with MUSL	4,456,672	4,581,640
Total Reserve and Restricted Assets	6,391,752	6,465,052
Capital Assets:		
Equipment	6,011,671	6,071,861
Leasehold Improvements	64,711	64,711
Less Accumulated Depreciation and Amortization	(5,658,776)	(5,637,236)
Total Capital Assets	417,606	499,336
TOTAL ASSETS	\$ 90,535,555	\$ 72,746,419
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,831,019	\$ 1,288,979
Prize Liability	36,752,441	27,559,034
Payable to MUSL	1,374,651	349,076
Wages and Benefits	28,093	19,583
Accrued Annual and Sick Leave	-	-
Retailer Bonus Liability	467,857	287,619
Funds Available for Distribution	46,968,401	40,081,439
Total Current Liabilities	87,422,462	69,585,730
Long-Term Liabilities:		
Accrued Annual and Sick Leave	725,255	738,452
Expired Warrants Liability	35,152	39,489
Total Long-Term Liabilities	760,407	777,941
TOTAL LIABILITIES	88,182,869	70,363,671
NET POSITION		
Investment in Capital Assets	417,606	499,336
Restricted-Licensed Agent Recovery Reserve	435,080	383,412
Restricted-Operating Reserve	1,500,000	1,500,000
Unrestricted-Other	-	-
TOTAL NET POSITION	2,352,686	2,382,748
TOTAL LIABILITIES AND NET POSITION	\$ 90,535,555	\$ 72,746,419

COLORADO LOTTERY
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 FOR THE ONE (1) MONTH ENDED JULY 31, 2016 AND 2015
 (UNAUDITED)

	<u>FY 2017</u>	<u>FY 2016</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 51,928,890	\$ 43,394,765
DIRECT OPERATING EXPENSES		
Prize Expense	30,282,559	29,006,761
Retailer Commissions and Bonuses	3,879,588	3,225,289
Cost of Tickets and Vendor Fees	<u>1,025,608</u>	<u>876,101</u>
Total Direct Operating Expenses	<u>35,187,755</u>	<u>33,108,151</u>
GROSS PROFIT ON SALE OF TICKETS	<u>16,741,135</u>	<u>10,286,614</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	588,050	773,257
Administration Fees Paid to MUSL	10,817	6,682
Wages and Benefits	798,044	784,043
Professional Services	12,379	10,818
State Agencies Services	49,903	51,958
Department of Revenue Services	62,248	38,355
Travel	5,556	8,235
Equipment	735	108,355
Depreciation	20,652	50,354
Accrued Annual and Sick Leave	(22,332)	(19,298)
Space Rental	62,892	65,684
Rents for Equipment	2,221	1,555
Motorpool Leasing	22,539	24,290
Materials and Supplies	14,333	47,124
Telephone	20,121	19,618
Equipment Maintenance	35,759	38,700
Printing	350	2,288
Delivery Expense	54,622	83,910
Other	24,983	24,197
Total Other Operating Expenses	<u>1,763,872</u>	<u>2,120,125</u>
OTHER OPERATING REVENUE (EXPENSE)	16,810	11,268
TOTAL OPERATING INCOME	<u>14,994,073</u>	<u>8,177,757</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	48,797	38,220
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	<u>(15,053,033)</u>	<u>(8,261,822)</u>
Total Nonoperating Revenues (Expenses)	<u>(15,004,236)</u>	<u>(8,223,602)</u>
NET INCOME (LOSS)	<u>\$ (10,163)</u>	<u>\$ (45,845)</u>
NET POSITION, BEGINNING OF YEAR	2,362,849	2,428,593
Net Change in Net Position	<u>(10,163)</u>	<u>(45,845)</u>
NET POSITION, END OF PERIOD	<u>\$ 2,352,686</u>	<u>\$ 2,382,748</u>

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF FIDUCIARY NET POSITION
JULY 31, 2016 AND 2015

(UNAUDITED)

	FY 2017	FY 2016
ASSETS		
Current Assets:		
Current Portion Long Term Investments-PB Annuity	508,000	488,000
Long Term Assets:		
Long Term Investments-PB Annuity	10,263,604	10,223,726
TOTAL ASSETS	\$ 10,771,604	\$ 10,711,726
 NET POSITION		
Held in Trust for Powerball Winner	10,771,604	10,711,726
TOTAL NET POSITION	\$ 10,771,604	\$ 10,711,726

COLORADO LOTTERY
POWERBALL ANNUITY WINNERS TRUST FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE ONE MONTH ENDED JULY 31, 2016 AND 2015

(UNAUDITED)

	FY 2017	FY 2016
Additions		
Investment Income	\$ <u>41,067</u>	\$ <u>42,169</u>
Total Additions	<u>41,067</u>	<u>42,169</u>
 Deductions		
Prize Payments	<u>0</u>	<u>0</u>
Change in net position	41,067	42,169
 Net Position held in Trust for Powerball Winner		
Beginning of Year	<u>10,730,537</u>	<u>10,669,557</u>
End of Period	\$ <u><u>10,771,604</u></u>	\$ <u><u>10,711,726</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND JACKPOT GAMES
FOR THE ONE MONTH ENDED JULY 31, 2016
(With Comparative Totals for the One Month Ended July 31, 2015)

	Scratch	Scratch \$50	Jackpot Games					FY 17	FY 16	
			Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Lucky For Life	Total	Scratch and Jackpot Games
TICKET SALES	\$28,656,368	\$1,830,800	\$2,854,034	\$10,164,495	\$1,548,367	\$5,506,573	\$746,655	\$621,598	\$51,928,890	\$43,394,765
PRIZE EXPENSE	(20,286,872)	(1,372,478)	(1,210,937)	(3,268,349)	(762,877)	(2,789,186)	(344,863)	(246,997)	(30,282,559)	(29,006,761)
NET REVENUE AFTER PRIZES	8,369,496	458,322	1,643,097	6,896,146	785,490	2,717,387	401,792	374,601	21,646,331	14,388,004
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)										
Retailer Commission	(1,999,882)	(127,631)	(170,887)	(608,387)	(92,691)	(329,479)	(44,659)	(36,928)	(3,410,544)	(2,906,720)
Retailer Bonus	(314,845)	(20,358)	(18,680)	(50,407)	(14,972)	(37,609)	(6,851)	(5,322)	(469,044)	(318,569)
Cost of Tickets Sold	(181,737)	(2,211)	N/A	N/A	N/A	N/A	N/A	N/A	(183,948)	(184,124)
Telecomm Reimbursements	32,660	2,087	3,253	11,585	1,765	6,276	851	708	59,185	59,160
Vendor Fees	(517,470)	(33,060)	(48,573)	(164,491)	(25,292)	(89,790)	(12,013)	(10,156)	(900,845)	(751,137)
TOTAL	(2,981,274)	(181,173)	(234,887)	(811,700)	(131,190)	(450,802)	(62,672)	(51,698)	(4,905,196)	(4,101,390)
GROSS PROFIT ON SALE OF TICKETS	\$5,388,222	\$277,149	\$1,408,210	\$6,084,446	\$654,300	\$2,266,785	\$339,120	\$322,903	\$16,741,135	\$10,286,614
AVERAGE DAILY TICKET SALES	\$924,399	\$59,056	\$92,066	\$327,887	\$49,947	\$177,631	\$24,086	\$20,052 *	\$1,675,125	\$1,399,831

Note 1: Administrative costs of Lottery operations, including wages, advertising and other expenses are not shown.

* Lucky For Life game started July 17, 2016

COLORADO LOTTERY
SCHEDULE OF PERCENT OF PRIZE EXPENSE TO GROSS TICKET SALES
FOR THE ONE MONTH ENDED JULY 31, 2016

	Scratch	Scratch \$50	Lotto	Powerball	Cash 5	Mega Millions	Pick 3	Lucky For Life	FY 17 Total	FY 16 Total
Prize Expense (/)/Ticket Sales	\$20,286,872 28,656,368	\$1,372,478 1,830,800	\$1,210,937 2,854,034	\$3,268,349 10,164,495	\$762,877 1,548,367	\$2,789,186 5,506,573	\$344,863 746,655	\$246,997 621,598	\$30,282,559 \$51,928,890	\$29,006,761 43,394,765
Prize %	70.79%	74.97%	42.43%	32.15%	49.27%	50.65%	46.19%	39.74%	58.32%	66.84%

COLORADO LOTTERY
BUDGET STATUS
FOR THE ONE MONTH ENDED JULY 31, 2016

	FY17 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$9,490,911	668,985	\$8,821,926	7.0%
Amortization Equal	330,351	25,011	305,340	7.6%
Suppl Amortization Equalization	326,910	24,467	302,443	7.5%
Worker's Compensation	90,340	7,528	82,812	8.3%
Health and Life	949,966	83,212	866,754	8.8%
Short Term Disability	13,076	1,048	12,028	8.0%
Operating	1,203,156	87,297	1,115,859	7.3%
Variable Vehicle	163,062	10,735	152,327	6.6%
Leased Space	884,416	62,237	822,179	7.0%
Leased Space-Grand Junction	6,714	500	6,214	7.4%
Risk Management	30,631	2,553	28,078	8.3%
Vehicle Lease Payments	154,295	11,804	142,491	7.7%
Travel	113,498	5,556	107,942	4.9%
Marketing, Communications & Sales	14,700,000	588,050	14,111,950	4.0%
Payments to Other Agencies	239,410	1,620	237,790	0.7%
Legal Services	34,999	2,201	32,798	6.3%
Indirect Costs	760,199	62,248	697,951	8.2%
Ticket Costs-Scratch	6,578,000	244,530	6,333,470	3.7%
Research	250,000	0	250,000	0.0%
Vendor Fees	12,571,504	900,845	11,670,659	7.2%
Prize Payments	424,104,016	30,282,559	393,821,457	7.1%
Retailer Compensation	52,241,350	3,879,588	48,361,762	7.4%
Multi-State Lottery Funds	177,433	10,817	166,616	6.1%
CORE Modernization	36,223	3,019	33,204	8.3%
OIT Payments	552,999	46,082	506,917	8.3%
TOTAL	<u>\$526,003,459</u>	<u>\$37,012,492</u>	<u>\$488,484,050</u>	<u>7.04%</u>

FY17 Staffing - FTE - (Note 4) 117.10 (Appropriated) 109.50 (Projected)

Reconciliation of Expenses per "Statement of Revenues, Expenses and Changes in Net Position" to Budgeted Expenditures:

Expenses Per Statement of Revenues, Expenses and Changes in Net Position

Prize Expense	30,282,559
Commissions and Bonuses	3,879,588
Cost of Tickets & Vendor Fees	1,025,608
Operating Expenses	1,763,872

Total Expenses per Statement of Revenues, Expenses and Changes in Net Position 36,951,627

Plus: Telecommunications offset classified as revenue	59,185
Less: Non-appropriated expenses and other adjustments	
Depreciation	(20,652)
Accrued Annual and Sick Leave	22,332
Loss on Disposal of Equipment classified as revenue	

Sub-Total 37,012,492

Plus: Capitalized Fixed Assets 0
\$37,012,492

Note 1 - FY17 budget includes Lottery Long Bill and transfers from the Department of Revenue and anticipated supplemental funding.

Note 2 - Percent of fiscal year elapsed through July 31, 2016 is 8.3%.

Note 3 - Amount expended includes expenditures for both capitalized and non-capitalized equipment.

Note 4 - The Governor's budget office has informed departments that the appropriated FTE can be exceeded by 10% for FY 2017